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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

SANDRA D. KENNEDY

Commissioner

PAUL NEWMAN

Commissioner

BOB STUMP

Commissioner

Arizona Corporation Commission

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IN THE MATTER OF MOHAVE)
ELECTRIC COOPERATIVE, INC. -)
APPLICATION FOR APPROVAL OF)
RENEWABLE ENERGY STANDARD)
PLAN AND TARIFFS)

DOCKET NO. E-01750A-09-0336

DECISION NO. 71407

ORDER

Open Meeting
November 19 and 20, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Mohave Electric Cooperative ("MEC" or "Mohave") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On September 30, 2009, MEC filed an application for approval of its 2010 Implementation Plan pursuant to the Renewable Energy Standard and Tariff ("REST") Rules. Prior to this filing, and since the establishment of the REST rules and the Environmental Portfolio Standard rules, MEC's Implementation Plan had been filed by Arizona Electric Power Cooperative ("AEPCO") on behalf of MEC and three other distribution co-ops. Mohave is a partial requirements wholesale customer of AEPCO.

3. MEC's Plan maintains key features of the AEPCO Plans filed previously (and approved by the Commission), and includes points unique to MEC such as geothermal development in partnership with Navopache Electric Cooperative ("NEC" or "Navopache").

MEC's Implementation Plan

4. Mohave indicates that it intends to achieve compliance with the REST requirement of 2.5 percent of retail electric sales for 2010 through a plan with several components discussed below.

5. A Voluntary Renewable Energy Program is a Green Tariff to be offered to customers to purchase blocks of renewable energy of 50 kWh at a price of \$2.00. MEC admits that due to the demographic nature of its members, no customers have joined this plan as of yet.

6. The Self-Directed Renewable Program allows customers who pay more than \$25,000 in renewable energy surcharges annually to request funds from MEC to install Distributed Generation ("DG") resources.

7. Sun Watts Incentive Program pays incentives to residential and commercial customers to install solar or wind facilities. MEC will pay \$2.50 per installed watt up to half the system total cost and up to 5 kW for residential and 10 kW for commercial. For larger systems, up to 50 kW, MEC will pay \$2.00 per watt up to half the system total cost. The rebates are reduced from \$4.00 and \$3.00 per watt previously under AEPCO's program.

8. For solar water heating systems replacing a traditional electric water heater, MEC will pay \$0.75 per kWh of energy saved during the first year. This is unchanged from the previously approved AEPCO REST plan.

9. Clean Renewable Energy Bonds can provide cooperatives with zero-cost federal funding for renewable energy projects. MEC intends to apply for these funds and would develop projects up to 5 kW, expanding school solar installations.

10. With the Sun Watts Large Scale Program, MEC can partner with AEPCO to secure renewable resources via purchased power contracts or through construction of utility-sized facilities. AEPCO has issued a Request For Proposal to secure third-party providers of renewable resources. MEC will participate with AEPCO installing resources using previously collected environmental surcharge funds deposited with AEPCO.

11. To utilize Geothermal Resources, MEC, in partnership with Navopache, retained Black and Veatch to conduct a feasibility study with respect to geothermal resources in their

1 service territories. This study indicates that within the immediate vicinity of the Mohave service
2 territory, there is a conventional hydrothermal resource with modest potential for geothermal
3 power development. There is also hydrothermal potential within the Navopache service territory
4 to initially develop something on the order of 5 MW of power. Navopache has initiated a grant
5 application to the Department of Energy to fund exploratory drilling. Mohave would partner with
6 NEC in the commercial development.

7 12. A 5 MW Solar facility located within the MEC load pocket is being developed for
8 Mohave as a lease/buy arrangement and will be in service in 2010. The project will be connected
9 to the distribution system for the benefit of the members/owners. The present Commission REST
10 rules define DG and Distributed Renewable Energy Resources ("DE") as being located on a
11 customer's premises. Mohave states that the benefits of DG are achieved with its solar facility,
12 and in a more cost-effective manner than many smaller systems totaling 5,000 kW. Mohave views
13 DG in the traditional utility engineering sense of being generation facilities connected directly to
14 the distribution system rather than at a remote power plant connected with transmission lines.
15 Mohave requests that the Commission consider that its 5 MW system meets the intent of the rules
16 and counts towards the DE requirements specified in R14-2-1805. Mohave would consider the
17 Solar facility as meeting the residential/non-residential DE requirement by classifying the project
18 output as residential and non-residential according to its customer class residential/non-residential
19 breakdown.

20 13. Mohave's 5 MW Solar facility is not sited on customer premises as the Rules
21 requires for Distributed Renewable Energy Resources. Staff recommends that the system count
22 toward meeting the REST Rule Renewable Energy Resources requirement but not count toward
23 meeting the Distributed Renewable Energy Resources requirement.

24 14. A Schools Program will award a photovoltaic ("PV") system to one school each
25 year at no cost to the school and not to exceed \$50,000, an increase from \$45,000. Based on
26 present PV costs, a 5 to 8 kW system could be installed. In addition, one school per year would be
27 offered up to \$5,000 in educational grants to develop renewable energy curricula.

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15. Through Habitat for Humanity, MEC will continue low-income housing projects offering alternative energy options, completing one project per year not to exceed \$25,000.

16. Advertising, Promotion, Administration, and R&D is performed using not more than 15 percent of REST surcharge funds. Unused funds are carried over to the next year.

17. MEC plans to use Existing Infrastructure and renewable energy credits to comply with the REST requirements. MEC has 37 residential and small commercial PV arrays installed within its service territory. These facilities range in size from 2 to 6 kW with a total of 112 kW and an annual energy production of 245,333 kWh.

18. MEC also has 13 small wind generators installed within its service territory. The wind generators are all rated at 2 kW and have an annual production of 53,758 kWh. All of these member-owned wind and PV systems were installed prior to January 2009 when MEC participated in the AEPCO REST plan.

Budget

19. MEC has proposed the budget shown below in Table 1. The proposal for 2010 is an increase of about 25 percent over present REST spending (\$1.7 million vs. \$1.3 million). The increase would allow Mohave to expand its communication of renewable options with its members, offer rebates to a larger number of members, increase spending limits on schools and other programs, and perform other activities spelled out here and in its filed Implementation Plan.

Table 1
Mohave Electric Co-op
Renewable Energy Resources Budget
Five-Year Forecast

	<u>2010</u>	<u>2011</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Resources	Expenditures				
DG -- 5 MW Solar	\$548,884	\$548,884	\$548,884	\$548,884	\$548,884
DG Incentives	\$734,215	\$729,472	\$733,729	\$737,986	\$742,243
Solar Water heating	\$9,000	\$18,000	\$18,000	\$18,000	\$18,000
Geothermal	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Advertising & Admin	\$244,000	\$244,000	\$244,000	\$244,000	\$244,000
Other Programs	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Total	\$1,711,099	\$1,715,356	\$1,719,613	\$1,723,870	\$1,728,127

Funding and Surcharge

20. Staff has reviewed MEC's proposed Renewable Energy Standard Tariff which sets forth the surcharge rates and monthly maximums to be collected to fund its annual budget for 2010. The proposed rates are shown in Table 2.

Table 2
Mohave Electric Cooperative
Present and Proposed RES Tariff Charges

Customer Class	Present 2009		Proposed 2010	
	Energy Charge (per kWh)	Monthly Cap	Energy Charge (per kWh)	Monthly Cap
Governmental	0.000875	\$13.00	0.000942	\$15.00
Gov or Ag > 3MW	0.000875	\$39.00	0.000942	\$49.00
Residential	0.004988	\$1.05	0.0095006	\$3.10
Highway	0.004988	\$1.05	0.0095006	\$3.10
Irrigation	0.0049877	\$39.00	0.0053714	\$49.00
Small Commercial	0.0049877	\$39.00	0.0053714	\$49.00
Large Power	0.0049877	\$39.00	0.0053714	\$49.00
Non-Res > 3MW	0.0049877	\$117.00	0.0053714	\$147.00

21. Revenue to cover the proposed budget would come from customer classes as shown in Table 3. No carry-over funds are available from previous REST surcharge funding.

Table 3
Mohave Electric Co-op
REST Funding from Surcharge

	REST Revenue	
	Present 2009	Anticipated 2010
Residential	387,460	1,143,930
Governmental	24,874	28,701
Small Commercial	375,736	472,079
Large Power	44,545	52,439
Large Power > 3MW	2,808	3,528
Irrigation	262	10,341
Highway	28	83
Total	\$835,713	\$1,711,099

22. The unusual increase for Irrigation customers is caused by a billing error in the past that is being corrected. Staff recommends that irrigation customers who were under-billed be re-billed as permitted by the Arizona Administrative Code ("AAC") R14-2-210(E)(3) which allows non-residential customers to be re-billed up to six months in arrears.

23. Table 4 shows the impact of the REST tariff on different types of Mohave customers. At average usage, most customers would be limited to the monthly caps shown in Table 2.

Table 4
Mohave Electric Cooperative
Customer Impact of Proposed RES Tariff Charges

<u>Sample Customers</u>	<u>Average kWh/Month</u>	<u>Present 2009</u>		<u>Proposed 2010</u>	
		<u>Energy Charge</u>	<u>Cost¹</u>	<u>Energy Charge</u>	<u>Cost¹</u>
Residence	1,000	\$0.00	\$1.05	\$0.01	\$3.10
Dentist Office	2,000	\$0.00	\$9.98	\$0.01	\$19.00
Hairstylist	1,283	\$0.00	\$6.40	\$0.01	\$6.89
Department Store	577,260	\$0.00	\$39.00	\$0.01	\$49.00
Retail Video Store	14,107	\$0.00	\$39.00	\$0.01	\$49.00
Large Hotel	46,467	\$0.00	\$39.00	\$0.01	\$49.00
Large Hardware	183,217	\$0.00	\$39.00	\$0.01	\$49.00
Hotel/Motel	14,080	\$0.00	\$39.00	\$0.01	\$49.00
Fast Food	60,160	\$0.00	\$39.00	\$0.01	\$49.00
Large Office Bldg	69,493	\$0.00	\$39.00	\$0.01	\$49.00
Supermarket	214,340	\$0.00	\$39.00	\$0.01	\$49.00
Convenience Store	30,687	\$0.00	\$39.00	\$0.01	\$49.00
Irrigation	17,585	\$0.00	\$1.05 ²	\$0.01	\$49.00
Hospital (> 3 MW)	2,808,000	\$0.00	\$117.00	\$0.01	\$147.00
School	88,800	\$0.00	\$39.00	\$0.01	\$49.00
Mall Excl Tenants	2,545	\$0.00	\$12.69	\$0.01	\$13.67
Gov. Complex	66,050	\$0.00	\$13.00	\$0.01	\$15.00

1. Capped when Cost > Cap

2. Billing error. Also see Table 3

Fair Value Determination

24. Staff has analyzed Mohave's application in terms of fair value implications. The proposed tariff would have minimal or no impact on MEC's revenue, fair value rate base, or rate of return. Because plant developed pursuant to the REST programs is not added to the rate base, there would be no corresponding effect on Mohave's ultimate revenue or rate of return.

Staff Recommendations

25. Staff has recommended that Mohave's proposed 2010 REST implementation plan be approved as discussed herein.

26. Staff has recommended that Mohave's 5 MW Solar system count toward meeting the REST Rule Renewable Energy Resources requirement but not count toward meeting the Distributed Renewable Energy Resources requirement.

27. Staff has recommended that Mohave's Irrigation customers who were under-billed be re-billed as allowed by the AAC Electric Utilities Rule R14-2-210(E)(3).

28. Staff has recommended that Mohave's Renewable Energy Standard Tariff be set at the proposed levels shown in Table 2 herein.

29. Staff has recommended that MEC file in Docket Control a revised Tariff including the updated REST rates in compliance with the Decision in this case within 15 days of the effective date of the Decision.

CONCLUSIONS OF LAW

1. MEC is an Arizona public service corporation within the meaning of Article XV, Section 2 of the Arizona Constitution.

2. The Commission has jurisdiction over MEC and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated November 9, 2009, concludes that it is in the public interest to approve the Mohave 2010 REST Implementation Plan

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ORDER

IT IS THEREFORE ORDERED that Mohave Electric Cooperative, Inc.'s 2010 REST Implementation Plan be and hereby are approved as discussed herein.

IT IS FURTHER ORDERED that Mohave Electric Cooperative, Inc.'s 5 MW Solar system count toward meeting the REST Rule Renewable Energy Resources requirement but no determination is made at this time regard it meeting the Distributed Renewable Energy Resources requirement.

IT IS FURTHER ORDERED that Mohave Electric Cooperative, Inc.'s Irrigation customers who were under-billed be re-billed as allowed by the Arizona Administrative Code Electric Utilities Rule R14-2-210(E)(3).

IT IS FURTHER ORDERED that Mohave Electric Cooperative, Inc.'s Renewable Energy Standard Tariff be set at the proposed levels shown in Table 2 herein.

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1 IT IS FURTHER ORDERED that Mohave Electric Cooperative, Inc. file in Docket Control
2 a revised Tariff including the updated REST rates in compliance with the Decision in this case
3 within 15 days of the effective date of the Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 CHAIRMAN

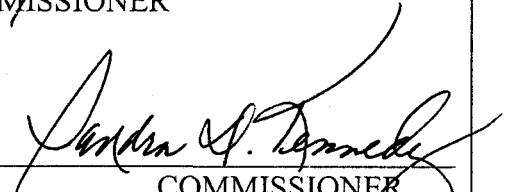


COMMISSIONER

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11 COMMISSIONER

COMMISSIONER



COMMISSIONER

12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
13 Executive Director of the Arizona Corporation Commission,
14 have hereunto, set my hand and caused the official seal of this
15 Commission to be affixed at the Capitol, in the City of
16 Phoenix, this 8th day of December, 2009.

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18 ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

19 DISSENT: _____

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21 DISSENT: _____

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